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COMMERCE FOR COBERG

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TAGS: [ECON](#) [EFIN](#) [EWWT](#) [MU](#)
SUBJECT: MINISTER PREDICTS SLOWER GDP GROWTH FOR OMAN

Classified By: DCM Alfred F. Fonteneau, reasons 1.4 b and d

¶1. (U) On August 7, Omani Minister of National Economy Ahmed bin Abdulnabi Macki announced that Oman's Gross Domestic Product would grow by 7% over 2007, a projected 8% decline from the 15% growth rate recorded in 2006. Macki highlighted that the economy would continue to expand in spite of the lower oil production rate, which is off slightly more than 5% over January-May 2007, as compared the same period in 2006. The Minister forecasted that GDP growth would stem from the performance of the non-oil sectors, which are expected to grow by 16% on the strength of domestic demand and rising petrochemical activity. Macki also stated that Tropical Cyclone Gonu would have only a minimal impact on the Sultanate's economic output.

¶2. (SBU) The continued development of Oman's petrochemicals industries, however, recently has been called into question. On July 5, the trade publication "Chemical Week" reported that the government and Dow Chemicals decided to shelve plans to construct a petrochemicals plant in the port city of Sohar on the account that costs had ballooned from an estimated \$2.6 billion to \$4.5 billion. Sohar Industrial Port Corporation Deputy CEO Jamal Aziz told Econoff that the port, which plans to host the complex, has not received any indication that the project would be canceled. Calls to the Oman Petrochemicals Industries Company, which represents the joint venture, and the regional Dow office have gone unanswered.

¶3. (C) PolEconoff's July conversation with Oman International Container Terminal (OICT) CEO Lawrence Teo added to increased speculation that the petrochemicals complex would not materialize. He commented that his company, which handles the container traffic for the Port of Sohar, was counting on a "certain company" to provide 420,000 twenty-foot equivalent units (TEUs) per year in traffic in its initial projections. He cautioned that this expected volume most likely will not materialize now, leaving a gaping hole in the company's efforts to fill the 800,000 TEU capacity the terminal currently has available.

¶4. (C) In addition to the uncertainty surrounding the construction of the polyethylene plant, Teo criticized the government for not being more effective in advertising the potential of the port, and for pursuing policies, such as charging \$2.60 per metric ton shipped from the port, that drove business away to Dubai. For example, he cited that Oman Polypropylene Plant, a prime customer for the port, instead trucks its product to Dubai's Jebel Ali port to take advantage of lower handling costs.

¶5. (C) Comment: The loss of the Dow project would be a serious blow to government efforts to diversify its economy

through large-scale industrial projects based in Sohar. It would also represent a major setback for U.S. investment in Oman, which recently witnessed New Jersey-based PSEG's divestiture from its profitable electric utility project. While costs have been previously cited as possible obstacles to construction, the looming gas shortage in Oman is also weighing heavily on the minds of project planners and government officials. Furthermore, the OICT CEO's comments also cast an initial shadow over a port that until now has been heralded as the shining beacon of Oman's future. End Comment.

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